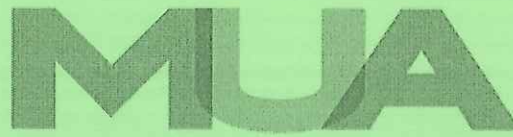


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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SMO 501: INTERNATIONAL STRATEGIC MANAGEMENT

DATE: 4<sup>TH</sup> APRIL 2018

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

**QUESTION ONE:**

**Read the Case Study below carefully and answer the questions that follow:**

**ENRON'S FAILURE**

Enron's heyday has long ended. But its lessons will long endure. The global business community is now watching a painful new chapter in this saga — one where its former high-riding Chief Executive Officer, Jeff Skilling, is getting a decade shaved off of his prison term that should now end in 2017.

The company's failure in 2001 represents the biggest business bankruptcy ever while also spotlighting corporate America's moral failings. It's a stark reminder of the implications of being seduced by charismatic leaders, or more specifically, those who sought excess at the expense of their communities and their employees. In the end, those misplaced morals killed the company while it injured all of those who had gone along for the ride.

"Just as character matters in people, it matters in organizations," says Justin Schultz, a corporate psychologist in Denver. Surely, if there are profits to be made, some type of scheme that attempts to skirt the law or even cross boundaries will occur. It's been that way throughout history. But with each passing scandal, new rules and codes emerge that surpass those of the past. And while Enron won't be the last case of corporate malfeasance, its tumultuous tale did initiate a new age in business ethics.

Enron, once a sleepy natural gas pipeline company, grew to become the nation's seventh largest publicly-held Corporation. But its shoddy business practices, aided by bankers and advisors feeding from the gravy train, brought down the company in December, 2001.

Altogether, 16 former Enron execs including Skilling had been sentenced to prison. Its former Chairman, Ken Lay, was also convicted but because he passed away before his guilty verdict could be appealed, that case was thrown out. Now, though, an appeals court has reduced Skilling's sentencing because it said that the trial court had miscalculated the codified penalty.



A lot of people have suffered, not the least of whom are the shareholders and pensioners who lost it all. It was a sad "ending" to what had appeared to be a promising beginning to the New Economy in which the internet age would spread wealth and create jobs throughout the social spectrum. While Enron may be the crown jewel of corporate prosecutions, it was preceded by guilty verdicts for top execs at Adelphia Communications, Tyco International and WorldCom.

Punishment serves as a deterrent. But a clear-cut mission and a corporate code of ethics is crucial. It's the foundation to which boards, managers and workers rely when they reach a fork in the road. It's the principles they use when deciding whether to emphasize short-term gain or long-term stability.

Economist Milton Friedman has argued that it is the social responsibility of Corporations to increase profits thereby putting more people to work and paying more taxes to support programs that benefit the general public. But business ethicists caution against a myopic pursuit toward earnings. The quarterly reporting syndrome that pressures companies to meet earnings expectations promotes temptation that can push some to distort the truth.

But the desire to satisfy shareholders must be balanced with the need to service all corporate constituents — all of whom contribute to a company's worth. That structure must be reinforced with values that build trust, as well as by more cognizant oversight and notable penalties for egregious acts.

"So, even if you can't really regulate ethics, the fact that more people are more closely scrutinizing board behavior encourages directors to be more responsible," says Mary Driscoll, an analyst with Standard & Poor's. "But, there is no panacea, and I think we will continue to see abuses and excesses — but hopefully fewer."

Certainly, ethical dilemmas are not always black and white. And the situations that can lead to hard choices can be as complex as the options themselves. Some companies therefore struggle with how to manage and measure ethics and particularly in cases where they have worldwide offices that operate in diverse



cultures. Those decisions have a direct bearing on their public identities and will affect their share prices.

Unethical companies will eventually get exposed: Witness Enron. Companies that live and breathe their missions, by contrast, will get recognized by both the retail and capital markets. Stock values, of course, are a function of multiple factors. But solid principles are good for business, and ultimately good for Corporation valuations.

Corporate codes are not charades. They are practical approaches to everyday situations. Meaningful cultures will implore workers to do the right thing. That means individuals are encouraged to come forward with their concerns and know they will be heard and acted upon. Such a system allows management to address and handle issues in a holistic way to ensure strong ethical health.

"Ethics and integrity are at the core of sustainable long term success," says Richard Rudden, Managing Partner at Target Rock Advisors in New York State. "Without them, no strategy can work and, as Enron has demonstrated, enterprises will fail. That's despite having some of the 'smartest' guys in the room."

**Required:**

- a) Explain the Michael Porter's five force in a diagram. (10Marks)
- b) What do you think is the most five typical causes of innovations that can shift competitive advantage. Explain. (5Marks).
- c) Discuss how is the competitive advantage is implemented? (5 Marks)
- d) Porter describes TWO choices of strategic position that influence the configuration of a firm's activities. Discuss (4Marks)
- e) Define the Michael Porter's Fit which locks competitors by creating a chain that is strong. Elaborate how Porter Defines three types of fit. (3Marks)
- f) Porter (1990) outlines three conditions for the sustainability of competitive advantage. Discuss how competitive advantage is sustained. (3Marks)

**QUESTION TWO:**

- a) Several management scholars have defined Strategy as a critical in understanding an organization. Define the meaning of a Strategy.

(5 Marks)

- b) Except for changes that remain under wraps and in the planning stage and some about to be launched moves, there is usually nothing secret or mysterious about what a company's present strategy is. Comment on how you can identify a strategy in an organization.

(3Marks)

- c) The managerial process of crafting and executing a company's strategy consists of five interrelated and integrated phases. Discuss what does the strategy making and strategy executing five process entails as a Chief Executive Officer of Safaricom. The managerial process of crafting and executing a company's strategy consists of five interrelated and integrated phases. Discuss.

(3Marks)

- d) In strategic management, Managers normally has great tasks to run organization. In this case there are nine critical tasks of strategic management which is quite crucial. Discuss.

(4 Marks)

**QUESTION THREE:**

- a) Dr. Shadrack Jirma, is the CEO of a reputable international commercial enterprise. Elaborate vividly, the two different kinds of strategies she can employ to make her organization profitable.

(4Marks)

- b) Explain why the Managing Directors of Corporate Companies undertake SWOT analysis. What do you think is the reason of undertaking SWOT?

(5Marks)

- c) The decision making hierarchy of a firm typically contains three levels of Strategies. Apply these three strategies in a practical situation where you work at the moment.

(3Marks)

- d) Most theories or writers focus on three approaches of decision making processes. How does a decision maker make a decision when confronted by a challenging affair?

(3Marks)



**QUESTION FOUR:**

- a) Typically, strategic management issues have three dimensions. How do you apply these three principles you have learnt in a contemporary working set up.  
(3Marks)
- b) Strategic management have several advantages. Do you agree or disagree with the real benefits of strategy management today. (3Marks)
- c) Managers must be trained to guard against three types of unintended negative consequences of involvement in strategy formulation. What is the in your opinion the risks in strategic management as a scholar of modern management.  
(3Marks)
- d) You can agree with the management writers that there are diverse components of strategic management. What are the various key components of strategic mission?  
(6Marks)